



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
KENTON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE KENTON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Kenton County Fiscal Court audit for the fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$2,241,060 from the prior fiscal year, resulting in a cash surplus of \$26,448,403 as of June 30, 2000.

Debt Obligations:

Total bonded debt principal as of June 30, 2000, was \$2,770,000 for the Public Properties Corporation Fund - Nursing and Health Care Facilities Bond Issue. Future collections of \$2,963,505 are needed over the next 4 years to pay all bonded debt principal and interest.

Total bonded debt principal as of June 30, 2000, was \$2,260,000 for the Public Properties Corporation Fund - Park and Recreational Facilities Project Bond Issue. Future collections of \$3,359,046 are needed over the next 15 years to pay all bonded debt principal and interest.

Total bonded debt principal as of June 30, 2000, was \$15,740,000 for the Public Properties Corporation Fund - Parking Facilities Project Bond Issue. Future collections of \$24,404,461 are needed over the next 17 years to pay all bonded debt principal and interest.

Total bonded debt principal as of June 30, 2000, was \$19,615,000 for the Public Properties Corporation Fund - Courthouse Facilities Project Bond Issue. Future collections of \$37,192,458 are needed over the next 29 years to pay all bonded debt principal and interest.

Jail capital lease principal agreements totaled \$3,255,503 as of June 30, 2000. Future principal and interest payments of \$5,037,330 are needed to meet these obligations.

Report Comments:

- The County Lacks Adequate Segregation Of Duties
- The Jailer Should Prepare Monthly Bank Reconciliations

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
KENTON COUNTY OFFICIALS.....	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	14
NOTES TO FINANCIAL STATEMENTS	18
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE.....	29
SCHEDULE OF OPERATING REVENUE.....	33
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	37
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	41
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	45
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	49
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	53
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	54
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	
APPENDIX B:	
CPA AUDIT REPORT ON KENTON COUNTY GOLF COURSE	
APPENDIX C:	
CPA AUDIT REPORT ON KENTON HOUSING, INC. (ROSEDALE MANOR NURSING HOME)	



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Richard L. Murgatroyd, Kenton County Judge/Executive
Members of the Kenton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Kenton County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Kenton County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Kenton County Golf Course Fund or of Kenton Housing, Inc. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Kenton County Golf Course Fund and Kenton Housing, Inc., is based upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Kenton County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Richard L. Murgatroyd, Kenton County Judge/Executive
Members of the Kenton County Fiscal Court

In our opinion, based upon our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions of Kenton County, Kentucky, as of June 30, 2000, and the revenues it received and expenditures it paid for the year then ended, in conformity with the modified cash basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated May 24, 2001 on our consideration of Kenton County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following reportable conditions:

- The County Lacks Adequate Segregation Of Duties
- The Jailer Should Prepare Monthly Bank Reconciliations

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Kenton County, Kentucky. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 24, 2001

KENTON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Richard L. Murgatroyd	County Judge/Executive
Barbara Black	Commissioner
Dan Humpert	Commissioner
Adam Koenig	Commissioner

Other Elected Officials:

Garry Edmondson	County Attorney
Terrance Carl	Jailer
William Aylor	County Clerk
Mary Ann Woltenberg	Circuit Court Clerk
Charles L. Korzenborn	Sheriff
Mark Vogt	Property Valuation Administrator
David Suetholz	Coroner

Appointed Personnel:

Ivan Frye	County Treasurer
Rob Owens	Occupational Tax Collector
Brenda Spare	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

KENTON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash \$ 5,505,658

Investments (Note 3) 1,002,066

Road and Bridge Fund:

Cash 1,176,633

Jail Fund:

Cash 143,069

Local Government Economic Assistance Fund:

Cash 16,264

Occupational License Tax Fund:

Cash 13,255,356

Self-Insurance Fund:

Cash 1,404,587

Flex Spending Account - Cash 9,589 \$ 22,513,222

Special Revenue Fund Type

CDBG Fund:

Cash 589,422

Notes Receivable (Note 4) 335,501

Special Police Fund:

Cash 115,443

Retirement Account - Cash 1,191 1,041,557

Capital Projects Fund Type

Public Properties Corporation Fund - Parking Facilities Project:

Project Account - Cash 567,016

Public Properties Corporation Fund - Courthouse Facilities Project:

Project Account - Cash 1,222,018 1,789,034

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Assets and Other Resources (Continued)

Assets (Continued)

Debt Service Fund Type

Public Properties Corporation Fund - Nursing and Healthcare

Facility Project:

Bond Account - Cash	\$	1,400
Debt Service Reserve Account-		
Cash		59,681
Investments		997,928

Public Properties Corporation Fund - Park and Recreational

Facility Project:

Bond Account - Cash		13,762
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Public Properties Corporation Fund - Parking Facilities Project:

Bond Account - Cash		90,920
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Public Properties Corporation Fund - Courthouse Facilities

Project:

Bond Account - Cash	<u>291,399</u>	\$ 1,455,090
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Other Resources

General Fund Type

Jail Fund:

Amounts to be Provided in Future Years for Jail Capital

Lease Obligations - Bond Principal Payments		3,255,503
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Debt Service Fund Type

Public Properties Corporation Fund - Nursing and Healthcare

Facility Project:

Amounts to be Provided in Future Years for		
Bond Principal Payments		2,768,600

Public Properties Corporation Fund - Park and Recreational

Facility Project:

Amounts to be Provided in Future Years for		
Bond Principal Payments		2,246,238

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Assets and Other Resources (Continued)

Other Resources (Continued)

Debt Service Fund Type (Continued)

Public Properties Corporation Fund - Parking Facilities

Project:

Amounts to be Provided in Future Years for

Bond Principal Payments

\$ 15,649,080

Public Properties Corporation Fund - Courthouse Facilities

Project:

Amounts to be Provided in Future Years for

Bond Principal Payments

19,323,601 \$ 39,987,519

Total Assets and Other Resources

\$ 70,041,925

Liabilities and Fund Balances

Liabilities

General Fund Types

Jail Fund:

Amounts to be Provided in Future Years for Jail Capital

Lease Obligations - Bond Principal Payments (Note 6)

3,255,503

Special Revenue Fund Type

CDBG Fund:

Deferred Revenue (Note 4)

335,501

Debt Service Fund Type

Public Properties Corporation Fund - Nursing and Healthcare

Facility Project:

Amounts to be Provided in Future Years for

Bond Principal Payments (Note 5A)

2,770,000

Public Properties Corporation Fund - Park and Recreational

Facility Project:

Amounts to be Provided in Future Years for

Bond Principal Payments (Note 5B)

2,260,000

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
June 30, 2000
(Continued)

Liabilities and Fund Balances (Continued)

Liabilities (Continued)

Debt Service Fund Type (Continued)

Public Properties Corporation Fund - Parking Facilities

Project:

Amounts to be Provided in Future Years for
Bond Principal Payments (Note 5C)

\$ 15,740,000

Public Properties Corporation Fund - Courthouse Facilities

Project:

Amounts to be Provided in Future Years for
Bond Principal Payments (Note 5D)

19,615,000 \$ 40,385,000

Fund Balances

Reserved:

General Fund Type

Occupational License Tax Fund

13,255,356

Self-Insurance Fund

1,404,587

Flex Spending Account

9,589 14,669,532

Special Revenue Fund Type

CDBG Fund

589,422

Special Police Fund

115,443

Retirement Account

1,191 706,056

Capital Projects Fund Type

Public Properties Corporation Fund - Parking Facilities

Project:

Project Account

567,016

Public Properties Corporation Fund - Courthouse Facilities

Project:

Project Account

1,222,018 1,789,034

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances (Continued)

Debt Service Fund Type

Public Properties Corporation Fund - Nursing and Healthcare

Facility Project:

Debt Service Reserve Account	\$ 1,057,609
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Unreserved:

General Fund Type

General Fund	\$ 6,507,724	
Road and Bridge Fund	1,176,633	
Jail Fund	143,069	
Local Government Economic Assistance Fund	<u>16,264</u>	<u>7,843,690</u>

Total Liabilities and Fund Balances		<u><u>\$ 70,041,925</u></u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

KENTON COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 32,640,351	\$ 16,738,637	\$ 979,863	\$ 2,663,509
Transfers In	12,414,106	3,864,908	3,713,891	2,486,000
Tax Anticipation Note Borrowed	10,000,000	10,000,000		
Contributions	2,404,857			
City Payroll Taxes Collected	10,668,917			
Other Revenue	1,822,678			
Total Cash Receipts	<u>\$ 69,950,909</u>	<u>\$ 30,603,545</u>	<u>\$ 4,693,754</u>	<u>\$ 5,149,509</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 32,147,918	\$ 14,503,401	\$ 4,436,488	\$ 5,085,552
Transfers Out	12,414,106	6,417,756		
Claims Paid	2,362,944			
Risk Management/Administrative Fees	354,923			
Employee Reimbursements	13,159			
Bond Principal Paid	1,883,147			128,147
Bond Interest Paid	2,094,546			
Realized Loss	9,863			
Tax Anticipation Note Repaid	10,000,000	10,000,000		
City Payroll Taxes Distributed	10,668,917			
Other Expenditures	228,638			
Total Cash Disbursements	<u>\$ 72,178,161</u>	<u>\$ 30,921,157</u>	<u>\$ 4,436,488</u>	<u>\$ 5,213,699</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (2,227,252)	\$ (317,612)	\$ 257,266	\$ (64,190)
Cash Balance - July 1, 1999	<u>28,689,463</u>	<u>6,825,336</u>	<u>919,367</u>	<u>207,259</u>
Cash Balance - June 30, 2000	<u>\$ 26,462,211</u>	<u>\$ 6,507,724</u>	<u>\$ 1,176,633</u>	<u>\$ 143,069</u>

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

General Fund Types				
Local Government Economic Assistance Fund	Occupational License Tax Fund	Self-Insurance Fund	Flex Spending Account	Kenton County/Cities Tax Collection Fund
\$ 17,669	\$ 11,228,138	\$ 64,093	\$	\$
		2,390,084	14,773	10,668,917
		519,459		
<u>\$ 17,669</u>	<u>\$ 11,228,138</u>	<u>\$ 2,973,636</u>	<u>\$ 14,773</u>	<u>\$ 10,668,917</u>
\$ 20,000	\$ 7,583,659 2,131,442	\$ 2,362,944 353,723	\$ 1,200 13,159	\$
		124,408		10,668,917
<u>\$ 20,000</u>	<u>\$ 9,715,101</u>	<u>\$ 2,841,075</u>	<u>\$ 14,359</u>	<u>\$ 10,668,917</u>
\$ (2,331) 18,595	\$ 1,513,037 11,742,319	\$ 132,561 1,272,026	\$ 414 9,175	\$
<u>\$ 16,264</u>	<u>\$ 13,255,356</u>	<u>\$ 1,404,587</u>	<u>\$ 9,589</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2000
(Continued)

	<u>Special Revenue Fund Types</u>		<u>Capital Projects Fund Types</u>	
	Community Development Block Grant Fund	Special Police Fund	Public Properties Corporation Fund-Parking Facilities Project	Public Properties Corporation Fund-Court- house Facilities Project
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 635,702	\$ 30,153	\$ 36,751	\$ 156,088
Transfers In				
Tax Anticipation Note Borrowed				
Contributions				
City Payroll Taxes Collected				
Other Revenue				
Total Cash Receipts	<u>\$ 635,702</u>	<u>\$ 30,153</u>	<u>\$ 36,751</u>	<u>\$ 156,088</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 518,818	\$	\$	\$
Transfers Out			478,544	3,386,364
Claims Paid				
Risk Management/Administrative Fees				
Employee Reimbursements				
Bond Principal Paid				
Bond Interest Paid				
Realized Loss				9,863
Tax Anticipation Note Repaid				
City Payroll Taxes Distributed				
Other Expenditures		104,230		
Total Cash Disbursements	<u>\$ 518,818</u>	<u>\$ 104,230</u>	<u>\$ 478,544</u>	<u>\$ 3,396,227</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 116,884	\$ (74,077)	\$ (441,793)	\$ (3,240,139)
Cash Balance - July 1, 1999	<u>472,538</u>	<u>189,520</u>	<u>1,008,809</u>	<u>4,462,157</u>
Cash Balance - June 30, 2000	<u>\$ 589,422</u>	<u>\$ 115,443</u>	<u>\$ 567,016</u>	<u>\$ 1,222,018</u>

KENTON COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

Debt Service Fund Types			
Public Properties Corporation Fund-Nursing and Health Care Project	Public Properties Corporation Fund-Park and Recreational Facilities Project	Public Properties Corporation Fund-Parking Facilities Project	Public Properties Corporation Fund-Court- house Facilities Project
\$ 61,839 702,567	\$ 805 217,865	\$ 5,652 1,428,875	\$ 21,452
7,219			1,296,000
<u>\$ 771,625</u>	<u>\$ 218,670</u>	<u>\$ 1,434,527</u>	<u>\$ 1,317,452</u>
\$	\$	\$	\$
780,000 129,842	95,000 122,865	575,000 853,876	305,000 987,963
<u>\$ 909,842</u>	<u>\$ 217,865</u>	<u>\$ 1,428,876</u>	<u>\$ 1,292,963</u>
\$ (138,217) 1,197,226	\$ 805 12,957	\$ 5,651 85,269	\$ 24,489 266,910
<u>\$ 1,059,009</u>	<u>\$ 13,762</u>	<u>\$ 90,920</u>	<u>\$ 291,399</u>

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Kenton County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Jail Commissary Fund and the Public Properties Corporation Funds as part of the reporting entity. Also included are the Kenton County Golf Course Fund and Kenton Housing, Inc. (Rosedale Manor Nursing Home), which were audited by other auditors and are included in Appendices B and C.

Public Properties Corporation Funds are component units. Kenton County is financially accountable for Public Properties. They were set up solely for the benefit of the Kenton County Fiscal Court, and the Board of Directors of the Public Properties Corporation Funds consists of members of the Fiscal Court. Their financial data is blended with the financial data of the County.

The Kenton County Golf Course Fund is a component unit of the County. It is legally a part of the County. This fund is audited by other auditors, and its financial data is presented in their report, which is included as Appendix B.

Kenton Housing, Inc. (Rosedale Manor Nursing Home) is owned by the County and therefore is a component unit of Kenton County. Kenton County Public Properties Corporation issued bonds for the construction of Rosedale Manor in 1993. TANK taxes are used for payment of bond principal and interest. Therefore, the facility is a financial burden to the County. This component unit is audited by other auditors, and its financial data is presented in their report, which is included as Appendix C.

Additional - Kenton County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Kenton County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Kenton County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Kenton County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), Occupational License Tax Fund, County/Cities Tax Fund, Flex Spending Account, and the Self-Insurance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The CDBG Fund and the Special Police Fund are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Public Properties Corporation Fund - Nursing and Healthcare Project, Public Properties Corporation Fund - Park and Recreational Facilities Project, Public Properties Corporation Fund - Parking Facilities Project, and the Public Properties Corporation Fund - Courthouse Facilities Project. Debt service is provided through interest earned in bond funds, projects funds, and reserve funds, payment from AOC, and annual transfers from the general fund type - which together equal the amount of the debt service requirements for the year.

4) Capital Projects Fund Type

Capital Project Funds Type accounts for financial resources to be used for acquisition of major capital facilities. The Public Properties Corporation Fund - Parking Facilities Project and the Public Properties Corporation Fund - Courthouse Facilities Project Fund of the Fiscal Court are reported as Capital Projects Fund Types.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Kenton County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1. The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund - Nursing and Healthcare Project, Public Properties Corporation Fund - Park and Recreational Facilities Project, Public Properties Corporation Fund - Parking Facilities Project, and the Public Properties Corporation Fund - Courthouse Facilities Project because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 3. Deposits and Investments (Continued)

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of Investments	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>	<u>Market</u> <u>Value</u>
U.S. Treasury Notes	\$ 806,466	\$	\$	\$ 806,466	\$ 806,466
Commercial Paper	195,600			195,600	195,600
Totals	<u>\$ 1,002,066</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,002,066</u>	<u>\$ 1,002,066</u>

Note 4. Receivables

The following receivables were due the Community Development Block Grant Fund for loans made from grant funds:

<u>Due From</u>	<u>Interest/Length of Loan</u>	<u>Balance Due</u> <u>June 30, 2000</u>
Fort Mitchell Development LLC (12/1/86)	3%/15 Years	\$ 319,776
Piner-Fiskburg Ambulance Service (8/27/97)	5%/5 Years	15,725
Total		<u>\$ 335,501</u>

KENTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 5. Long-Term Debt

A. Public Properties Corporation Fund – Nursing and Health Care Facilities Bond Issue:

The Corporation issued first mortgage bonds dated December 1, 1967, to provide funds for the construction of the Covington-Kenton County Municipal Building. The total bond issue of \$3,465,000 was in denominations of \$5,000; all mature on December 1 of each year between 1969 and 2007, with interest of 5.50% to 6% payable on June 1 and December 1 of each year. The debt service requirements were to be paid 25% by the county and 75% by the city as rentals for the use of the property.

On July 3, 1985, Kenton County Fiscal Court contributed \$1,782,942 to the Covington-Kenton County Public Properties Escrow Fund of 1985 in order to affect the defeasance of the outstanding bond. This amount, in addition to the \$228,360 transferred from the debt service fund, has been determined to be sufficient to meet all bond principal and interest payments as they become due. Peoples Liberty Bank and Trust Company is the escrow agent.

In order to effect the refunding of the 1989 Series first mortgage bonds, the Kenton County Fiscal Court also contributed \$1,999,992 to the Kenton County Public Properties Corporation 1989 Bond Defeasance Escrow Fund. A total of \$7,713,235 is available to pay the old bonds as they come due. This escrow fund has been determined to be sufficient to meet all bond principal and interest payments as they become due. Fifth Third Bank is the escrow agent.

The Kenton County Public Properties Corporation issued first mortgage refunding bonds dated June 2, 1993, to provide funds for the refunding of the 1989 Series first mortgage bonds for the construction of the Kenton County Nursing Home (Rosedale Manor). The total bond issue of \$7,575,000 was in denominations of \$5,000; all mature on October 1 of each year between 1993 and 2003, with interest of 4% to 4.125% payable on April 1 and October 1 of each year. The bonds outstanding at June 30, 2000, are \$2,770,000. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2001	4.100%	\$ 810,000	\$ 97,246
2002	4.100%	835,000	63,524
2003	4.125%	860,000	28,669
2004	4.125%	<u>265,000</u>	<u>5,466</u>
Total		<u>\$ 2,770,000</u>	<u>\$ 194,905</u>

KENTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 5. Long-Term Debt (Continued)

B. Public Properties Corporation Fund - Park and Recreational Facilities Project Bond Issue:

The Kenton County Public Properties Corporation issued first mortgage revenue bonds to provide funds for a park and recreational facilities project dated July 1, 1995. The total bond issue of \$2,700,000 was in denominations of \$5,000; all mature on April 1 of each year between 1996 and 2015, with interest of 3.5% to 5.65% payable on April 1 and October 1 of each year. The bonds outstanding on June 30, 2000, are \$2,260,000. Fifth Third Bank is the escrow agent. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2001	4.400%	\$ 100,000	\$ 118,780
2002	4.500%	105,000	114,380
2003	4.600%	110,000	109,655
2004	4.600%	115,000	104,595
2005	4.900%	125,000	99,132
2006-15	4.75-5.65%	<u>1,705,000</u>	<u>566,266</u>
Total		<u>\$ 2,260,000</u>	<u>\$ 1,112,808</u>

C. Public Properties Corporation Fund - Parking Facilities Project Bond Issue:

The Kenton County Public Properties Corporation issued first mortgage revenue bonds to provide funds for a parking facilities project dated December 1, 1996. The total bond issue of \$17,400,000 was in denominations of \$5,000 and integral multiples thereof; all mature on December 1 of each year between 1997 and 2016, with interest of 4.5% to 5.7% payable on June 1 and December 1 of each year. The bonds outstanding on June 30, 2000, are \$15,740,000. Fifth Third Bank is the paying agent and bond registrar. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2001	4.700%	605,000	826,145
2002	4.700%	630,000	797,122
2003	4.700%	660,000	766,808
2004	4.800%	690,000	734,738
2005	4.900%	725,000	700,415
2006-17	4.900-5.700%	<u>12,430,000</u>	<u>4,930,153</u>
Total		<u>\$ 15,740,000</u>	<u>\$ 8,755,381</u>

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 5. Long-Term Debt (Continued)

D. Public Properties Corporation Fund - Courthouse Facilities Project Bond Issue:

The Kenton County Public Properties Corporation issued first mortgage revenue bonds to provide funds for a courthouse facilities project dated June 1, 1998. The total bond issue of \$19,920,000 was in multiples of \$5,000 and integral multiples thereof; all mature on March 1 of each year between 2000 and 2029, with interest of 4.85% to 5.00% payable on March 1 and September 1 of each year. The bonds outstanding as of June 30, 2000, are \$19,615,000. Fifth Third Bank is the paying agent. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2001	4.85%	\$ 320,000	\$ 973,317
2002	4.85%	335,000	957,650
2003	4.85%	350,000	941,403
2004	4.85%	370,000	924,428
2005	4.85%	385,000	906,482
2006-2029	4.85% -5.00%	<u>17,855,000</u>	<u>13,165,577</u>
Total		<u>\$ 19,615,000</u>	<u>\$ 17,868,857</u>

Note 6. Long-Term Participation Agreement

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The Authority issued \$10,495,487 of revenue bonds at various interest rates (4.5% through 7.0%), of which the county has agreed to pay \$4,438,213 principal and a proportional share of interest on the issue. Revenue bonds outstanding at June 30, 2000, totaled \$3,255,503. Debt service requirements due in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 136,272	\$ 202,109
2002	144,914	193,195
2003	154,103	183,715
2004	163,874	173,633
2005	174,266	162,916
2006-2015	<u>2,482,074</u>	<u>866,259</u>
Total	<u>\$ 3,255,503</u>	<u>\$ 1,781,827</u>

KENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 7. Self-Insurance Funds

Kenton County maintains a health insurance fund to provide health and dental insurance for their employees. They also maintain a self-insurance fund to provide liability and workmen's compensation for their employees.

Note 8. Flex Spending Account

Kenton County maintains a flex spending account to provide tax-sheltered deductions for dependent childcare and medical expenses.

Note 9. Kenton County Jail Settlement

Kenton County Jail was the defendant in a wrongful death suit. During the fiscal year 2000, a settlement was awarded to the plaintiff in the amount of \$350,000. The county paid \$100,000 of a deductible not covered by insurance and the county's insurance agent paid the remaining \$250,000.

Note 10. Jail Canteen Fund

Jail Commissary operations are authorized under KRS 441.135 (1)(2), which allows the Jailer to sell snacks, sodas, cigarettes, etc. to inmates incarcerated in the local jail. The profits generated from the sale of these items are to be used for the benefit or recreation of the inmates. Also applicable to Commissary operations are KRS 68.210, and Technical Audit Bulletins 93-002 and 97-001. KRS 68.210 requires the Jailer to maintain minimum accounting records and report annually to the County Treasurer the receipts and disbursements of the Jail Commissary. Technical Audit Bulletins 93-002 and 97-001 provide further accounting and expenditure guidance for acceptable Jail Commissary operation.

During the Fiscal Year Ending June 30, 2000, the Kenton County Jail Commissary received \$395,685 and expended \$397,025. The Jail Commissary reported June 30 ending balances of \$59,988 and \$58,648 for 1999 and 2000 respectively.

Note 11. Commitments and Contingencies

During the fiscal year 2000, the Kenton County Fiscal Court committed to provide a grant of \$172,800 toward the completion of the Sub District C Water Project. These funds were budgeted in the fiscal year 2001 budget and will be available for disbursement upon completion of all CDBG and loan commitment documentation.

Note 12. Pending Litigation

There is a lawsuit against Kenton County Fiscal Court by the City of Covington, et al. It is a lawsuit to declare that the County's occupational license fee is illegal. This matter is not covered by insurance. The impact of this litigation, if it is successful against the County, is that it would result in a substantial decrease in income to the County and many County agencies, as well as organizations which depend upon the fee for a substantial part of their operating budget. The outcome of this litigation has not yet been determined.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

KENTON COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 24,610,000	\$ 16,738,637	\$ (7,871,363)
Road and Bridge Fund	4,553,391	979,863	(3,573,528)
Jail Fund	5,265,000	2,663,509	(2,601,491)
Local Government Economic Assistance Fund	18,500	17,669	(831)
Occupational License Tax Fund	10,150,000	11,228,138	1,078,138
<u>Special Revenue Fund Type</u>			
Community Development Block Grant Fund	<u>967,000</u>	<u>635,702</u>	<u>(331,298)</u>
Totals	<u>\$ 45,563,891</u>	<u>\$ 32,263,518</u>	<u>\$ (13,300,373)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 45,563,891
Add: Budgeted Prior Year Surplus			18,561,109
Less: Other Financing Uses			<u>(12,873,336)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 51,251,664</u>

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SCHEDULE OF OPERATING REVENUE

KENTON COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

Revenue Categories	GOVERNMENTAL FUND TYPES				
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Capital Projects Fund Type	Debt Service Fund Type
Taxes	\$ 20,001,956	\$ 20,001,956	\$	\$	\$
In Lieu Tax Payments	22,323	22,323			
Excess Fees	1,162,198	1,162,198			
License and Permits	77,844	77,844			
Intergovernmental Revenues	4,489,501	3,970,683	518,818		
Charges for Services	1,883,004	1,883,004			
Miscellaneous Revenues	2,864,242	2,777,695	86,547		
Interest Earned	2,045,037	1,732,113	30,337	192,839	89,748
Total Operating Revenue	<u>\$ 32,546,105</u>	<u>\$ 31,627,816</u>	<u>\$ 635,702</u>	<u>\$ 192,839</u>	<u>\$ 89,748</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

KENTON COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,962,285	\$ 2,538,254	\$ 424,031
Protection to Persons and Property	9,534,947	8,476,461	1,058,486
General Health and Sanitation	2,425,362	1,376,075	1,049,287
Social Services	5,361,766	1,059,720	4,302,046
Recreation and Culture	847,682	614,175	233,507
Roads	3,030,824	2,529,298	501,526
Bus Service	6,908,370	5,547,487	1,360,883
Other Transportation Facilities and Services	4,282,187	120,000	4,162,187
Road Facilities	847,040	695,738	151,302
Debt Service	1,690,600	572,646	1,117,954
Capital Projects	5,454,000	3,201,699	2,252,301
Administration	6,426,601	4,897,547	1,529,054
Total Operating Budget - All General Fund Types	\$ 49,771,664	\$ 31,629,100	\$ 18,142,564
Other Financing Uses:			
Tax Anticipation Note- Principal	10,000,000	10,000,000	
Transfers to Public Property Corporation Funds	2,745,186	2,349,309	395,877
Jail Capital Lease Obligation- Principal on Bonds	128,150	128,147	3
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 62,645,000</u>	<u>\$ 44,106,556</u>	<u>\$ 18,538,444</u>

KENTON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2000
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,199,755	\$ 518,818	\$ 680,937
Administration	280,245		280,245
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 1,480,000</u>	<u>\$ 518,818</u>	<u>\$ 961,182</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Richard L. Murgatroyd, Kenton County Judge/Executive
Members of the Kenton County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Kenton County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated May 24, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Kenton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kenton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Kenton County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Reference Number 2000-1

- The County Lacks Adequate Segregation Of Duties

Reference Number 2000-2

- The Jailer Should Prepare Monthly Bank Reconciliations

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 24, 2001

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Richard L. Murgatroyd, Kenton County Judge/Executive
Members of the Kenton County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Kenton County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2000. Kenton County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Kenton County's management. Our responsibility is to express an opinion on Kenton County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kenton County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Kenton County's compliance with those requirements.

In our opinion, Kenton County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Kenton County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Kenton County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed –
May 24, 2001

FINDINGS AND QUESTIONED COSTS

KENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2000

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Kenton County.
2. Two reportable conditions were disclosed during the audit of the financial statements and are reported in the Independent Auditor's Report. The reportable conditions were reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of Kenton County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Kenton County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Kenton County reported in Part C of this schedule.
7. The program tested as a major program was: Community Development Block Grant - Small Cities Program, CFDA #14.228.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Kenton County was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Reference Number 2000-1

REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES

The County Lacks Adequate Segregation Of Duties

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that in our judgement is a reportable condition under standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small size, and budget restrictions the official has limited options for establishing an adequate segregation of duties. Management has considered and rejected additional cost when setting budget limits on spending for salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties. However, the Auditor of Public Accounts has judged the lack of an adequate segregation of duties as a reportable condition.

Judge/Executive's Response:

Treasurer has committed to personally verify bank reconciliations and monitor this situation.

KENTON COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2000
 (Continued)

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES

Reference Number 2000-2

The Jailer Should Prepare Monthly Bank Reconciliations

The Department of Local Government, under the authority of KRS 68.210, established minimum accounting procedures, which include preparing monthly bank reconciliations. These requirements are to be utilized by county jailers for Jail Commissary Funds maintained pursuant to KRS 441.135. During our audit, we found that bank reconciliations were not being prepared in a timely manner for the Jail Commissary Fund. We recommend that the Jailer comply with these requirements and prepare timely bank reconciliations.

Jailer's Response:

We agree to the recommendation.

Judge/Executive's Response:

This issue is being addressed by the County Finance Officer and the County Treasurer.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM
 AUDIT

None.

D. PRIOR YEAR FINDINGS

1. The County Should Have A Written Agreement To Protect Deposits

This has been corrected in the current year.

2. The County Should Maintain A Detailed Property And Equipment List For The Jail

This has been corrected in the current year.

3. The Current Jailer Should Implement Proper Accounting And Reporting Standards

Some issues have been corrected. See comment 2000-2 for current comment.

4. The Former Jailer Should Have Deposited Receipts Intact Daily And Reconciled These Receipts To Dailey Checkout Sheets

Unable to correct as this involves a prior official.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KENTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2000

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government:		
Community Development Block Grants - Small Cities Program (Note 2) (CFDA #14.228)	B-97-DC-21-0001 (021)	\$ 518,818
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet:		
Local Law Enforcement Block Grant Program (CFDA #16.592)	97-LBVX-4268	183,068
State Criminal Alien Assistance Program (CFDA #16.606)	1999-APVX-0621	2,740
<u>U.S. Department of Transportation</u>		
Passed-Through State Justice Cabinet:		
Traffic Safety Program - I-75 Police Grant (CFDA #20.604)	PSP #PT-00-16	24,105
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Weapons of Mass Destruction Program (CFDA #83.552)	N/A	4,500
Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)	N/A	28,255
Total Cash Expenditures of Federal Awards		<u>\$ 761,486</u>

KENTON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2000

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

Note 2 - The federal expenditures for the Community Development Block Grant - Small Cities Program include a grant to the following subrecipient:

<u>Subrecipient</u>	<u>CFDA Number</u>	<u>Pass-through Grant Account</u>
N. Ky. Water District	14.228	B-97-DC-21-0001(021)

CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

KENTON COUNTY FISCAL COURT

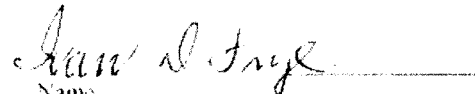
Fiscal Year Ended June 30, 2000

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
KENTON COUNTY FISCAL COURT

June 30, 2000

The Kenton County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Name
County Judge/Executive


Name
County Treasurer

CPA AUDIT REPORT ON KENTON COUNTY GOLF COURSE

Due to file size, this Appendix may not be posted on our website.
For a copy of this report, please contact the Open Records Administrator, Mona Logsdon, at
MLogsdon@kyauditor.net

CPA AUDIT REPORT ON ROSEDALE MANOR NURSING HOME

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